

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

American Telephone & Telegraph)
Company's Petition for Rulemaking)

RM-8408

COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY

Pursuant to 47 C.F.R. § 1.401, Southwestern Bell Telephone Company (SWBT) submits these Comments in response to the Petition for Rulemaking of American Telephone and Telegraph Company (AT&T), filed November 24, 1993, regarding the allocation of Universal Service Fund (USF) costs among interexchange carriers (IXCs). AT&T's petition proposes an interim procedure which would allocate USF costs based upon the revenues of IXCs in lieu of the current method which utilizes presubscribed lines.

I. **AT&T'S PETITION SHOULD BE CONSIDERED IN A COMPREHENSIVE REVIEW OF ALL UNIVERSAL SERVICE ISSUES.**

SWBT understands AT&T's desire to create a more equitable method for funding the USF. SWBT also seeks to alter the current methods by which universal service is supported. In a competitive environment, funding for universal service must be accomplished in a more competitively neutral manner. As such, SWBT agrees in principle with AT&T's goal to change funding methods; however, SWBT suggests that the more appropriate method for implementing the required changes is through an expeditious review of all universal service issues.

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II. MODIFICATION OF OTHER SUPPORT MECHANISMS SHOULD ALSO BE ADDRESSED.

AT&T indicates that its arguments concerning USF allocation are applicable to other pending support issues:

"The analysis presented in this Petition applies with equal force to the Lifeline and Link-up subsidy programs. Accordingly, for the same reasons, AT&T believes the Commission should reassess the method by which those subsidies are allocated among IXCs."¹

SWBT submits that other support mechanisms such as Long Term Support (LTS), price averaging, uneconomic depreciation rates, and Carrier Common Line (CCL) should also be examined.² The current methods for funding universal service, such as the funding of LTS and CCL charges, are not competitively neutral and should be modified.

Should the Commission decide to consider AT&T's Petition, SWBT requests that the Commission also consider the analogous inequity of including LTS in SWBT's rates. LTS is an explicit support mechanism similar to USF which is only funded by imposing an additive on non-pooling local exchange carrier CCL rates charged to IXCs.³ This process could be simplified by direct billing of

¹ AT&T Petition, footnote 8.

² For a more complete list of support mechanisms, see SWBT's Comments filed on December 16, 1993, in RM-8388, In The Matter Of Inquiry Into Policies And Programs To Assure Universal Telephone Service In A Competitive Market Environment.

³ CCL is a usage sensitive charge applied to IXCs that recovers a portion of the cost of local telephone lines provided to end users. As such, CCL should be viewed as a support mechanism which places SWBT's access services at a competitive disadvantage and therefore warrants review.

the LTS amount to IXCs in a manner similar to that proposed by AT&T's Petition.

III. CONCLUSION

SWBT believes that it is appropriate to conduct a review of the USF rules. Such a review should be conducted in conjunction with a comprehensive review of all universal service issues. The Commission should consider AT&T's Petition and expeditiously address the method of funding LTS as stated herein.

Respectfully submitted,

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January 14, 1994

CERTIFICATE OF SERVICE

I, Liz Jensen, hereby certify that the foregoing
Comments of Southwestern Bell Telephone Company, in RM 8408,
have been served this 14th day of January, 1994 to the
Parties of Record.

Liz Jensen
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January 14, 1994

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